

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2006 and 2005

	<u>9/30/06</u>	<u>9/30/05</u>
		Exhibit A
Assets		
Cash and cash equivalents	\$ 12,966,081	\$ 9,639,153
Accrued interest		
Investments	2,453,126	1,486,595
Treasurer	127,375	236,491
Total accrued interest	<u>2,580,501</u>	<u>1,723,086</u>
Receivables		
Land sales	149,425	486,422
Fines and penalties	636,306	175,062
Purchased interest	178,500	-
Total receivables	<u>964,231</u>	<u>661,484</u>
Investments		
U.S. Government securities	<u>252,405,608</u>	<u>209,496,701</u>
Total Assets	<u><u>\$ 268,916,421</u></u>	<u><u>\$ 221,520,424</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 2,445,525	\$ 830,259
Due to heirs	590,279	656,668
Deferred Revenue	4,584	-
Total liabilities	<u>3,040,388</u>	<u>1,486,927</u>
Fund balances		
Reserved: Permanent Fund Principal	<u>265,876,033</u>	<u>220,033,497</u>
Total Liabilities and Fund Balances	<u><u>\$ 268,916,421</u></u>	<u><u>\$ 221,520,424</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarters ended September 30, 2006 and 2005

	<u>Quarter Ended 9/30/2006</u>	<u>Exhibit B Quarter Ended 9/30/2005</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,304,679	\$ 1,076,033
District Courts	176,322	144,302
Total fines	1,481,001	1,220,335
Investment income (loss)	5,810,474	(108,597)
Land sales	868,245	31,940,531
Escheated estates	(8,206)	(23,213)
Miscellaneous	4,034	1,333
Total revenues	<u>8,155,548</u>	<u>33,030,389</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(5,810,474)</u>	<u>108,597</u>
Net change in fund balances	2,345,074	33,138,986
Fund balances, beginning of period	<u>263,530,959</u>	<u>186,894,511</u>
Fund balances, September 30, 2006	<u>\$ 265,876,033</u>	<u>\$ 220,033,497</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
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GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at September 30, 2006 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	22,603,000.00	\$	20,548,000.00
Churchill		14,625,000.00		9,960,000.00
Douglas		14,460,000.00		12,340,000.00
Eureka		6,000,000.00		5,532,000.00
Humboldt		5,075,000.00		3,215,000.00
Lincoln		4,075,000.00		3,885,000.00
Lyon		23,330,000.00		21,300,000.00
Mineral		4,425,000.00		4,200,000.00
Nye		23,735,000.00		17,600,000.00
Pershing		5,135,000.00		3,385,000.00
Storey		4,300,000.00		4,300,000.00
Washoe		11,820,000.00		6,390,000.00
White Pine		7,510,000.00		6,245,000.00

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2006, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,032,637. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended September 30, 2006, funds held by the State Treasurer earned interest at an effective rate of 4.24 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2006

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,165,600
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,962,500
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,737,500
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,875,040
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,925,000
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,025,350
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,746,900
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,701,674
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,483,125
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,873,400
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	6,978,160
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,725,000
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,071,900
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,549,030
Fed. Home Loan Bank Note	2.625	02/16/07	6,100,000	6,117,690	6,040,891
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,818,800
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,420,992
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,783,420
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,238,750
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,904,905
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,825,280
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,987,520
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	10,031,300
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,096,900
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	9,862,500
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,072,160
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,775,131
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,857,800
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,869,080
Total Investments			<u>\$ 255,750,000</u>	<u>\$ 252,750,533</u>	<u>\$ 252,405,608</u>

STATE OF NEVADA

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters ended September 30, 2006 and 2005

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2006	Quarter Ended 9/30/2005
Carson City	\$ 4,873	\$ 4,415
Churchill	14,254	18,708
Clark	681,592	527,382
Douglas	6,554	9,929
Elko	56,779	33,881
Esmeralda	22,644	6,089
Eureka	3,380	5,404
Humboldt	-	-
Lander	1,732	2,135
Lincoln	694	2,223
Lyon	23,922	23,977
Mineral	-	-
Nye	70,206	71,618
Pershing	733	665
Storey	-	-
Washoe	415,406	365,617
White Pine	1,910	3,990
Total	<u>\$ 1,304,679</u>	<u>\$ 1,076,033</u>

STATE OF NEVADA

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters ended September 30, 2006 and 2005

County	<u>Schedule 3</u>	
	Quarter Ended 9/30/2006	Quarter Ended 9/30/2005
Carson City	\$ 2,290	\$ 1,492
Churchill	3,393	5,786
Clark	112,955	81,696
Douglas	3,225	3,350
Elko	10,382	12,191
Esmeralda	25	-
Eureka	-	500
Humboldt	5,265	500
Lander	702	325
Lincoln	1,416	420
Lyon	3,147	1,115
Mineral	-	2,140
Nye	640	2,927
Pershing	90	120
Storey	-	-
Washoe	31,039	29,240
White Pine	1,753	2,500
Total	<u>\$ 176,322</u>	<u>\$ 144,302</u>

STATE OF NEVADA

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended September 30, 2006

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	6.000 %	\$ 10,000,000	\$ 150,000
Fed. Farm Credit Bank	2.700	10,000,000	67,500
Fed. Farm Credit Bank	3.375	10,000,000	84,375
Fed. Farm Credit Bank	2.150	8,000,000	43,000
Fed. Farm Credit Bank	3.500	6,000,000	52,500
Fed. Farm Credit Bank	3.300	7,300,000	60,225
Fed. Farm Credit Bank	4.180	10,000,000	104,500
Fed. Farm Credit Bank	3.300	10,000,000	82,500
Fed. Farm Credit Bank	3.850	7,675,000	73,872
Fed. Farm Credit Bank	4.200	15,000,000	157,500
Fed. Farm Credit Bank	4.875	7,000,000	82,468
Fed. Farm Credit Bank	3.375	10,000,000	86,250
Fed. Farm Credit Bank	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.000	13,000,000	130,000
Fed. Home Loan Bank Note	2.625	6,100,000	40,031
Fed. Home Loan Bank Note	4.125	10,000,000	103,125
Fed. Home Loan Bank Note	3.845	6,525,000	62,722
Fed. Home Loan Bank Note	4.000	7,000,000	70,000
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	4.350	8,975,000	97,603
Fed. Home Loan Bank Note	4.250	13,000,000	138,125
Fed. Home Loan Bank Note	4.800	4,000,000	48,000
Fed. Home Loan Bank Note	5.500	10,000,000	137,500
Fed. Home Loan Bank Note	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.550	10,000,000	113,750
Fed. Home Loan Bank Note	5.250	11,000,000	144,375
Fed National Mortgage Assoc.	5.750	10,675,000	153,453
Fed National Mortgage Assoc.	3.250	5,000,000	40,625
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			2,663,074
Treasurer's interest distribution			127,375
Total interest			2,790,449
Change in fair value of investments			3,020,025
Total investment income earned for the quarter			5,810,474